

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

Quarterly report under Section 13 or 15(d) of the Securities
Exchange Act of 1934

For the quarterly period ended September 30, 1999

Transition report under Section 13 or 15(d) of the Securities
Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: 0-12627

MEDICAL DISCOVERIES, INC.

(Exact Name of Small Business Issuer as Specified in Its Charter)

Utah

87-0407858

(State or other jurisdiction (I.R.S. Employer Identification No.)
of incorporation or organization)

2985 North 935 East, Suite 9, Layton, UT 84041

(Address of principal executive offices)

(801) 771-0523

(Issuer's Telephone Number)

N/A

(Former Name, Former Address and Former Fiscal Year,
if Changed Since Last Report)

Check whether the issuer (1) filed all reports required to be filed by
Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such
shorter period that the registrant was required to file such reports), and (2)
has been subject to such filing requirements for the past 90 days.

Yes No
=== ===

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant has filed all documents and reports required
to be filed by Sections 12, 13, or 15(d) of the Exchange Act after the
distribution of securities under a plan confirmed by a court.

Yes No
=== ===

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of
common equity, as of the latest practicable date: 26,656,959 as of November 16,
1999.

Transitional Small Business Disclosure Format (check one)

Yes No
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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following financial statements are filed with this report:

Balance Sheets as of September 30, 1999 (unaudited) and December 31, 1998
(unaudited)

Statements of Operations for the three-month and nine-month Periods ended

September 30, 1999 (unaudited) and September 30, 1998 (unaudited) and since inception through September 30, 1999 (unaudited)

Statements of Cash Flows for the nine-month Periods ended September 30, 1999 (unaudited) and September 30, 1998 (unaudited)

Notes to Unaudited Financial Statements

MEDICAL DISCOVERIES, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 1999 AND DECEMBER 31, 1998
(UNAUDITED)

	September 30, 1999	December 31, 1998
CURRENT ASSETS		
Cash	\$ 50	\$ 84,847
Accounts receivable	2,718	2,716
Inventory	159,426	158,225
Prepaid expenses	0	10,973
	162,194	256,761
PROPERTY AND EQUIPMENT		
Equipment	108,521	108,521
Less: Accumulated depreciation	(49,426)	(39,610)
	59,095	68,911
OTHER ASSETS		
	900	1,409
Total Assets	\$ 222,189	\$ 327,081
CURRENT LIABILITIES		
Accounts payable	\$ 1,778,442	\$ 1,399,414
Accrued interest	92,132	44,129
Current maturities of:		
Notes payable	354,418	191,717
Convertible notes payable	200,983	250,983
	2,425,975	1,886,246
STOCKHOLDERS' EQUITY		
Common Stock, no par value, authorized 100,000,000 shares; 26,656,959 shares issued and outstanding at September 30, 1999	9,717,250	9,661,250
Retained deficit	(11,808,536)	(11,107,915)
Subscription receivables	(112,500)	112,500
	(2,203,786)	(1,559,165)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 222,189	\$ 327,081

MEDICAL DISCOVERIES, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF OPERATIONS
FOR THE PERIODS ENDED SEPTEMBER 30, 1999 AND SEPTEMBER 30, 1998
(UNAUDITED)

<TABLE>
<CAPTION>

	For the three months ended September 30,		For the nine months ended September 30,		Cumulative Amounts since November 20, 1991 (date of inception)
	1999	1998	1999	1998	
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REVENUE					
Revenue and fees	\$ 0	\$ 4,837	\$ 0	\$ 17,684	\$ 126,609
Interest	0	0	0	2,515	23,406

Total Revenue	0	11,006	0	20,199	150,015
COST OF GOODS SOLD	0	2,250	0	7,250	7,750
GROSS MARGIN	0	3,944	0	12,949	142,265
EXPENSES					
License	0	0	0	0	1,001,500
Research and development	10,633	131,530	376,006	277,017	2,648,297
General and administrative	63,490	243,679	246,281	452,711	7,863,801
Total Expenses	74,123	375,209	622,287	729,728	11,513,598
NET LOSS FROM OPERATIONS	(74,123)	(371,265)	(622,287)	(716,779)	(11,297,210)
OTHER INCOME / (EXPENSE)	(19,576)	(13,237)	(78,334)	(39,459)	(273,162)
LOSS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(93,699)	(384,502)	(700,621)	(756,235)	(11,644,495)
INCOME TAXES	0	0	0	0	0
LOSS BEFORE EXTRAORDINARY ITEM	(93,699)	(384,502)	(700,621)	(756,235)	(11,644,495)
FORGIVENESS OF DEBT	0	0	0	0	1,235,536
NET INCOME	\$ (93,699)	\$ (384,502)	\$ (700,621)	\$ (756,235)	\$ (10,408,959)
INCOME / (LOSS) PER SHARE					
Loss from continuing operations	\$ (0.00)	\$ (0.02)	\$ (0.03)	\$ (0.03)	\$ (0.61)
Gain from debt forgiveness	0.00	0.00	0.00	0.00	0.07
Income / (loss) per share	\$ (0.00)	\$ (0.02)	\$ (0.03)	\$ (0.03)	\$ (0.54)
WEIGHTED AVERAGE NUMBER OF SHARES	26,602,539	23,997,410	26,493,405	23,897,943	19,232,432

</TABLE>

MEDICAL DISCOVERIES, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 1999 AND SEPTEMBER 30, 1998
(UNAUDITED)

	For the nine months ended September 30,		Cumulative Amounts since November 20, 1991 (date of inception)
	1999	1998	-----
OPERATING ACTIVITIES			
Net income (loss) for the period	\$ (700,621)	\$ (756,237)	\$ (10,408,959)
Add non-cash items			
Common stock options issued for services			2,336,303
Common stock issued for services and license	54,000	0	3,583,986
Reduction of legal costs	0	0	(130,000)
Depreciation	9,816	10,931	50,885
Loss on disposal of equipment	0	0	30,364
Gain on debt restructuring	0	0	(1,235,536)
Write-off receivables	0	0	193,965
Decrease (increase) in:			
Receivables	(2)	26,825	10,247
Inventory	(1,201)	(134,500)	(159,426)
Prepaid Expenses	10,973	(4,220)	0
Other assets	509	2,260	(1,409)
Increase (decrease) in:			
Accounts payable	410,050	386,124	1,622,533
Accrued expenses	16,978	17,712	113,613
Net Cash from Operations	(199,498)	(222,172)	(4,013,419)

INVESTING ACTIVITIES			
Purchases of equipment	0	(32,944)	(132,184)
Payments received on note receivable	0	0	130,000
	-----	-----	-----
Net Cash from Investing Activities	0	(79,000)	(2,184)
FINANCING ACTIVITIES			
Increase in notes payable	162,701	0	409,507
Payment of notes payable	(50,000)	(3,409)	(97,287)
Increase in notes payable	0	0	316,700
Equity contributed	0	0	131,374
Proceeds from issuance of common stock	2,000	631,680	3,255,359
	-----	-----	-----
Net Cash from Financing Activities	114,701	635,089	4,015,653
	-----	-----	-----
NET INCREASE / (DECREASE) IN CASH	(84,797)	151,094	50
CASH, BEGINNING PERIOD	84,847	764	0
	-----	-----	-----
CASH ENDING PERIOD	\$ 50	\$ 151,858	\$ 50
	=====	=====	=====

MEDICAL DISCOVERIES, INC.

NOTES TO FINANCIAL STATEMENTS
September 30, 1999

NOTES TO UNAUDITED FINANCIAL STATEMENTS

The unaudited financial statements include the accounts of Medical Discoveries, Inc. and include all adjustments which are, in the opinion of management, necessary to present fairly the financial position as of September 30, 1999 and the results of operations and changes in financial position for the three-month and nine-month periods ended September 30, 1999. The results of operations for the three-month and nine-month periods ended September 30, 1999 are not necessarily indicative of the results to be expected for the entire year.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

OPERATIONS AND LIQUIDITY.

MDI booked no revenue for the period from January 1, 1999 to September 30, 1999 compared to \$17,684 in revenue for the same period in 1998. The Company discontinued sales of imported functional water machines in 1998 which resulted in the absence of revenue. MDI spent \$376,006 in research and development costs during the first nine months of 1999 compared to \$277,017 for the same period in last year. The increased spending reflects the accrual of \$218,000 for expenses previously incurred at Harvard and an outside research lab for MDI-P and MDI-HCS product testing. General and administrative costs decreased to \$246,281 during the nine-month period ended September 1999 from \$452,711 for the same period in 1998. This reduction in spending was mainly due to the Company's scaled back operations due to cash shortages. In May 1999, the Company depleted its remaining cash accounts and temporarily suspended payments to creditors.

Funding for on-going operations is discussed in the "Additional Funding is Required" section below. In an attempt to find additional funding, members of the board made short-term loans to MDI to allow the Company to continue to present its plans to potential investors. As discussed below, the Company signed a letter of intent in October 1999 with a funding group to provide additional funding for operations. As part of the due diligence efforts discussed below, the Company borrowed \$20,000 to maintain operations from the funding group. If these funds are exhausted before due diligence investigations are completed, the Company will seek additional debt from the funding group.

PHARMACEUTICAL DRUG DISCOVERY AND DEVELOPMENT ACTIVITIES

Due to the absence of available funding, the Company suspended its testing and development program efforts. Based on work previously completed, Dr. Aldona Baltch, Albany, New York, has submitted a manuscript describing the antimicrobial activity of MDI-P against several species of bacteria. Significant killing was observed at dilutions of up to 1:10,000 for Candida Albicans. This will be the first full paper to be published on MDI-P.

MDI HEALTHCARE SYSTEMS, INC. CONSUMER PRODUCTS SUBSIDIARY

MDI's consumer product subsidiary, MDI HealthCare Systems, Inc., (MDI-HCS) has been unable to record any sales due to the absence of funds. MDI-HCS continues to maintain contact with the groups where it has previously executed sales

agreements and the potential for sales in the future remains.

The success of MDT-HCS depends on the Company's ability to raise additional funds to properly launch its products and the response of competitive products. See "Additional Funding is Required" section below.

ADDITIONAL FUNDING IS REQUIRED

Management intends to raise substantial additional funds in private stock offerings in the near future in order to meet its near-term funding requirements. In the future, management anticipates the need to raise substantial additional funds in public stock offerings as well. It is anticipated that shareholders may experience substantial dilution due to the current financial position of the Company. The funds to be raised will be used in the following areas: 1) the launch of MDI-HCS, 2) continued research for MDI-P, 3) payment of the MDI Trust Fund obligations, 4) commencement of payment of salaries to Company personnel, and 5) at such time as funds become available, payment of prior debts of the Company.

SUBSEQUENT EVENTS

As of November 16, 1999, had experienced at least two events significant events: 1) the termination Mr. Lee Kulas as President and CEO, and 2) the execution of a letter of intent outlining terms of additional funding.

As of May 31, 1999, the Company stopped accruing salary for Mr. Kulas as well as for other principals in the Company. On September 15, 1999, the Board of Directors officially terminated the employment contract of Mr. Lee Kulas, to allow Mr. Kulas to pursue other interests. Mr. Kulas remains a director of the Company.

In October 1999, the Company signed a letter of intent with an outside investment group. The letter provides for a due diligence investigation. If MDI completes due diligence investigations successfully, MDI and the investment group will form a joint venture to sell MDI-HCS products. The Company plans for the joint venture to generate cash for further development of MDI-P. MDI has also initiated discussions with the investment group for a direct investment in MDI.

Under the terms of the joint venture, the investment group will provide funds of \$750,000 to the joint venture and will extend a \$150,000 line of credit to MDI. MDI will assign all rights it owns in HCS products to the joint venture. MDI will own 42 percent of the joint venture. In exchange for the \$750,000 contributed to the joint venture and the line of credit extended to MDI, the investment group will receive 25,000,000 shares of MDI stock, which would represent an ownership interest of approximately 48 percent of the Company.

In early December 1999, the investment group notified MDI that its due diligence investigations would require up to an additional 120 days. As a temporary measure to provide funds to MDI, the investment group has made two short-term loans totaling \$32,000 to the Company. These short-term loans will be converted to draws against the \$150,000 line of credit contemplated by the letter of intent. MDI plans to request additional funds as required during the due diligence period. In addition, the Company has signed an agreement with a term of 120 days granting a company controlled by the investment group to sell MDI HealthCare Systems products. The purpose of the agreement is to allow the Company to begin to market its products immediately pending the completion of the due diligence and subsequent joint venture and funding issues contemplated in the letter of intent.

With the exception of the actual reported financial results and other historical information, the statements made in the Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this report are forward looking statements that involve risks and uncertainties that could affect actual future results. Such risks and uncertainties include, but are not limited to: the regulatory environment, the technical and engineering risks associated with new product development, the availability of funding, the cooperation of the Company's creditors, the ability of the Company to attract and retain competent personnel, consumer acceptance of HCS products, favorable negotiations with partners in the proposed joint venture, the presence of possible competitors, and competing technologies.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is not currently involved in any litigation and there has been no change in any with regard to any potential legal dispute since the filing of the Company's 10Q for the quarter ended March 31, 1999.

ITEM 2. CHANGES IN SECURITIES

N/A

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

N/A

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

N/A

ITEM 5. OTHER INFORMATION

N/A

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits required by Item 601 of Regulation S-B.

The following are exhibits to this Form 10-QSB.

EXHIBIT NUMBER	DESCRIPTION
- - - - -	- - - - -
27	Financial Data Schedule.

(b) Reports on Form 8-K

N/A

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MEDICAL DISCOVERIES, INC.

Date: November 19, 1999

/s/ David Walker

Chairman of the Board

Officer

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM MEDICAL DISCOVERIES, INC. SEPTEMBER 30, 1999 FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

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